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For this purpose, 264,400,000,000 yuan in loans have been advanced to private industry; 30,000 bales of cotton yarn and 710,000 bolts of cloth have been turned over by public industry to private industry for processing. Between September 1949 and the end of April 1950, the Department of Industry of East China placed orders for goods equal in value to 20 million catties of rice with private electrical, machinery, steel and hardware manufacturing firms. This represents 31 percent of all orders placed by the department. The publicly operated China Steam Navigation Company allotted 30 percent of its transport business to private enterprise. The China General Merchandise Corporation and the Trade Trust provided rubber and other raw materials for private industries to the extent of 90 percent of their needs, and purchased 43 percent of their output.

During the slack season for private industry between New Year's Day and the old Chinese New Year's Day and during April, the East China Trade Department purchased 600 billion yuan worth of goods to aid private enterprise. During May and half of June the publicly operated Cotton Yarn and Cloth Corporation distributed 30,541 bales of yarn and 462,363 bolts of cloth to private industries for processing and 91,935 bolts for dyeing. The East China Textile Control Bureau called a conference to lay plans before the new cotton crop came on the market. The government extended aid amounting to 500 billion yuan for the purchase of foreign cotton.

Private steel and iron industries received two thirds of the official orders placed during April and May. Goods equivalent in value to 12 million catties of rice were ordered from the electrical machinery industry, enabling it to operate at capacity. The Shanghai General Merchandise Corporation and the Trade Trust bought 160 billion yuan worth of goods from private industry during April and May.

Under the new loan policy, the People's Bank has already loaned 20 billion yuan and is continuing the policy. Interest rates have been considerably lowered on loans. This policy has contributed to economic recovery in East China.

#### C. Water Conservation and Famine Relief

During 1949, 53 million mou of cultivated land were inundated, directly involving the livelihood of 16 million persons; and 7,200,000,000 catties of grain were lost. To assist in relief, over 2 million persons were employed on five great dike-building and drainage projects, on the Yangtze River, the Huai Ho, and the I Ho, as well as along the ocean front. If floods are no greater than they were last year, 23,800,000 mou of land will be spared from inundation.

There was considerable waste involved in the above-mentioned operations. Authorities should seek to avoid this in the future. About 4,200,000,000 catties of grain were paid out for relief labor on the above projects. Approximately 200 million catties of rice were distributed free by the government and 66 million catties of mixed grain were distributed by the Production Relief Committee. The People's Bank and trade agencies loaned 240 million catties of rice. Thus, a total of over 900 million catties of grain were distributed in various ways for the relief of the flood sufferers in East China.

#### D. Agricultural Production and Silk and Tea Purchases

Planting in East China is generally better than it was last year; 14,770,000 mou are under cotton and 127,960,000 mou under wheat. The acreage under wheat amounts to 41.84 percent of the total under cultivation. This is 18,940,000 mou over the goal. Insect suppression is in full swing. There has been considerable loss from flood and rust. Also, 84,000 sheets

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of improved silk-worm eggs have been distributed and are expected to produce 420,000 piculs of cocoons. Up to June 30, 380,000 piculs had been purchased. Each picul of improved cocoons is worth 4.35 piculs of rice on the market. Ordinary cocoons bring 3.15 piculs of rice per picul of cocoons, and local cocoons bring 2 piculs of rice per picul. At these rates silk raising is profitable.

A tea crop of 190,000 piculs is expected. The rate of payment will be 4.35 piculs of rice per picul for red tea and 3.6 for green tea. The Trading Corporation has laid in a good supply of grain, cloth, and other consumers' goods to meet the payments and stabilize prices. However, funds are limited and it is hoped private buyers will be in the market.

#### E. Progress in Public Industry

The Chekiang publicly operated China Textile Company is seeking to convert the hemp-weaving industry, which does not meet a real need of the public, to cotton weaving. The use of mixed cotton [new and reclaimed] is being encouraged in an attempt to reduce costs by 10 percent. The value of production for May was 65 percent over that for December last year and costs had been lowered.

Rehabilitation of the steel industry varied from 50 to 90 percent of the goal. The nonferrous metal industries have completed planning and are ready for action.

Water and highway transport have been combined and public and private systems linked up to ensure even operation and eliminate blind competition in the transport system. To facilitate transport between Fukien and Chekiang a new highway is under construction. In 5 months, 590,000 tons of coal were carried on the Yangtze River coal route. During March, April, and May, 170,000 tons of grain were carried. The needs of the cities were thereby supplied. Transport costs were cut from 20 to 50 percent. Since the liberation of the Chou-shan Islands, work is being rushed on the restoration of Hong Kong-Shanghai boat traffic.

There are, at present, 11,780 cooperatives below the ch'iu level which have been directly organized by the peasants, they have a combined membership of over 4 million. The volume of their business has risen to 860,400,000,000 yuan [per year?]

The combined goal for public and private fisheries production is 220,000 tons. The fish market is poor at present, discouraging producers. Authorities should take notice and encourage more drying and salting of fish, and more local sales. An additional appropriation of 120 billion yuan for the purchase of salt has been added, since the liberation of the Chou-shan Islands, to the original loan of 25 million catties of millet.

East China has shared in the general economic improvement that has taken place throughout the nation during the last 5 months. There have been good achievements in agricultural production, famine relief, and water conservation projects. However, with the liberation of Taiwan and other islands still to be achieved, the burdens of the area are especially heavy. Because of the concentration of industry and commerce in East China cities, the problem of bringing about the desired changes in the economy is more than usually difficult.

Our task for the present and future is to bring about the concentration of capital and the balancing of income and outgo, and the lightening of the burdens of the people. We must also make secure the position of private enterprise under

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the leadership of socialistic public enterprise so that there shall be a proper division of function for each in the return to and expansion of a socialistic economy. This is in harmony with a report rendered by Chairman Mao to the CCP Central Committee. We shall now present some of the tasks still before us in carrying out the plans of the Central government.

1. The tax-collection system must be brought into conformity with the general system and all illegal practices eliminated. In certain areas of Chekiang, north Anhwei, and south Kiangsu, where the crops have been bad, permission has been received to combine the summer and autumn grain collections to economize on the use of personnel and facilities. In other areas, the collection forces are ready to start, but because of our limited acquaintance with conditions in these newly liberated areas inequalities of assessment are very likely to occur. These inequalities should be adjusted by combining the accounting of the summer and autumn collections to even out the inequalities.

2. The matter of industrial and commercial adjustment presents many problems. It will require common planning and common effort on the part of public and private enterprise, labor and capital, industry and commerce, and banking interests. The following steps must be taken:

a. A conference of financial and economic leaders must be called as requested by the Central government, to review and discuss the whole economic situation in East China.

b. The quota of goods to be processed and to be purchased set by the Committee of Finance and Economics of the Government Administration Council should be met. There must be a reasonably unified distribution to both public and private enterprises. In the distribution of raw materials, there must be and equitable allotment to both public and private enterprise; prices must be the same. At the same time, factories receiving goods for processing must properly conserve these materials and produce the goods called for in their contract both as to quantity and quality, and within the time agreed upon. These stipulations must be strictly adhered to.

c. To keep production and markets in balance, production must be controlled according to market conditions and raw material supply. Only by controlling the sorts and amounts of production by public and private industry can the present out-of-joint conditions of supply and demand be overcome. Because of the crops coming on the market, industries in some areas are experiencing a brisker market and are, therefore, making demands for raw materials above and beyond the allotments assigned to them. These requests, if granted would dislocate the program and add to the burden of the government in taking their products off their hands. Such requests must be forestalled.

d. Adjustments must be made in the matter of variations in wholesale and retail prices in various places, so that retailers and suppliers may enjoy a reasonable profit. There should be a proper division of functions between public trading companies and private business. The public companies, in addition to handling exports and imports, should carry on the wholesale trade in various necessities, such as coal, grain, and cotton cloth, with a view to maintaining circulation of currency and stabilization of wholesale prices. Their activities in the retail field in the matter of daily necessities and general merchandise should be limited to stabilization of retail prices and prevention of profiteering. For the present they should encourage and organize private commercial enterprises to carry on honorable businesses and promote the circulation of trade between urban and rural areas.

e. The present private-public joint loan fund business should be expanded. Joint public-private stock corporations should be established. The national bank should expand its business in bills of exchange and in promoting the flow of capital to private businesses that are beneficial to the national economy and to the export trade.

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f. Private industrialists and commercial firms should be exhorted to revise their management policies to make their production conform to the real needs of the masses. They should also revise their internal organization, improve their personnel relations, improve their business management, and reduce production costs to overcome their present difficulties. Encouragement should be given to medium and small factories to enter into voluntary joint management arrangements. The various public enterprises must depend upon the working class to carry out democratic control, to get rid of the evils of bureaucratic capitalism, and gradually to institute a budgetary system to meet the demands of the right type of management. State-operated enterprises should join industrial and commercial associations to improve the coordination with and to exert leadership on private enterprise. Industrial and commercial guilds should study the production and marketing problems of their members to serve them better.

g. Officials and public and private industrial leaders everywhere should be interested in the relief of the unemployed. The East China Political and Administrative Committee and the Production Relief Committee of East China have already issued about 70 million catties of rice and other grain for relief purposes. The Government Administration Council has called upon laborers everywhere to contribute for the relief of unemployed in Shanghai. We should pay particular attention to the government's directive on the relief of the unemployed and should gather funds for it, maintaining uppermost the ideas of relief work and production for self help, change of occupation, and return to the rural areas, and thus speedily carry out the program of relief for the unemployed.

3. After the summer and fall grain collection, all people's officials of the provinces, municipalities, and ch'u areas and all trade organizations should give special attention to the following matters:

a. Buy up quickly the most important crops such as wheat, paddy rice, cotton, peanuts, soybeans, and tea to maintain prices and protect farm income at the same time making it possible for private traders to expect a fair profit.

b. Trading companies on all levels must lay in adequate supplies of cotton yarn, cloth, and fertilizers to meet the requirements of the masses of farmers. Only thus may both urban and rural prices be stabilized. In addition to the above crops purchased for domestic use, encouragement should be given to the export of bristles, hides, silk, tea, fats, and oils. Attention should also be given to supplying raw materials to industry. The People's Bank and the various cooperatives should carry on effective trade between urban and rural areas. All rail, boat, and highway transport agencies should give attention to the adjustment of transport rates. Transport schedules should be speeded up to contribute further to the flow of trade between urban and rural areas.

4. Attention must be given to the flood-prevention service. The summer wet season is approaching, and all authorities should see to it that the spring dike-repair work in their areas is not jeopardized by negligence and should be ready to combat new high water. In some areas, on the other hand, measures have to be taken to prevent the effects of drought. Though some rain has fallen in certain of these areas, irrigation equipment should be put into good condition and wells should be dug so that drought conditions may be combated successfully.

Authorities on all levels should lead in summer cultivation, addition of fertilizer, insect-pest prevention, proper allotment of human and animal labor and implements. Also in Shantung, north Anhwei, and south Kiangsu, attention must be given to summer famine relief. Early preparation of seed, fertilizer, and animals for the fall planting should be made. The People's Bank, the trading organizations, and the cooperatives should be making plans and provision to care for the financial needs and other production requirements of the rural populace after the land reform has been carried out in the fall.

5. Our financial activities are entirely different from those of the KMT. We receive our finances from the people and use them for the people. The people

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support us and trust us. We persuade, educate, and consult with the people to secure their cooperation in the completion of our task. Only in the case of a few obstreperous and obstinate ones must we resort to the law in dealing with them.

Most of our financial and economic cadres carry on their work faithfully in accordance with our policies, but a few new ones and some of those taken over from the KMT do not thoroughly understand the plans, or they maintain some of their old habits and so use unsuitable methods and sometimes force. Also, in the older liberated areas some of the cadres are a hurry to get results and resort to coercive methods. Even on the higher levels there is too much of the old bureaucratic spirit so that it has been impossible to investigate sufficiently and to give organized education to the cadres.

The bureaucratic habits and coercive methods mentioned above have been a great detriment to our work. They have militated against close liason between the authorities and the people. The authorities are now in the process of criticism and self-criticism and the above-mentioned faults will be gradually eliminated. Simultaneously, the authorities are giving attention to the elimination of corruption and waste in the financial and economic administration. All our financial and economic cadres should strive to serve the people.

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